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Top Secret 233

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NATIONAL INTELLIGENCE DAILY CABLE

Friday October 22, 1976

CI NIDC 76-248C

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

DIA review(s) completed.

State Dept. review completed

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National Intelligence Daily Cable for Friday October 22, 1976.

The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

25X1 [] Lebanon's latest cease-fire has substantially reduced the level of fighting, although each side has accused the other of violations.

25X1 [] Artillery and rocket shelling continued intermittently in Beirut yesterday, but at a much lower level than on Wednesday. The Christians accused the Palestinians of shelling in the Mount Lebanon area near Bdadun, but most positions in the mountains east of Beirut seem to have been generally quiet.

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[] Arab League secretary general Riyadh yesterday extended official invitations to Arab monarchs and presidents to attend a full summit conference on the Lebanon situation in Cairo next Monday. The summit is expected to extend a routine ratification of the agreement reached at Riyadh last weekend.

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[] the Cairo summit will focus on recruiting participants for the expanded Arab League security forces. One result of this arrangement will be a delay in organizing the enforcement of the Riyadh agreement, leaving control of would-be trouble-makers in the hands of their respective leaders in the interim.

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[] Lebanese President Sarkis--who has been given authority over the League forces--might, as a result, turn to Damascus to rein in Christian violators of the cease-fire, something that could cause strains between the Syrians and their Christian allies. []

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EGYPT: New Initiatives by Sadat

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[] The reconciliation between Egypt and Syria during the Riyadh summit this week was an abrupt about-face for President Sadat, who now appears anxious to promote Arab solidarity and to refurbish his Arab leadership credentials before attempting to press the US to resume Middle East peace negotiations after the presidential election.

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[] Other moves by Sadat also seem designed both to mend fences in an effort to increase the Arabs' political strength and to put the US and Israel on notice that Egypt will press for new negotiations.

--Egypt's call on Wednesday for the UN Security Council to discuss Israel's "repressive measures" in the occupied territories is a gesture of solidarity with the Arabs and a pressure tactic against the US.

--The Egyptians efforts to arrange a meeting between Foreign Minister Fahmi and Soviet Foreign Minister Gromyko--this would be the first in almost two years--are probably also intended in part to exert pressure on the US for early negotiating progress.

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[] Sadat's reconciliation with Syria is the most significant of his recent moves. The UN initiative, the overture to the Soviets, and the approaches to Libya are all largely tactical steps that cost Sadat little. The rapprochement with Asad has involved important concessions and a radical departure from policies Sadat has pursued for the last year.

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[] Sadat has been able to carry off the reconciliation gracefully; Asad apparently did not during the Riyadh summit challenge Egypt's adherence to the second Sinai agreement, a principal bone of contention between the two, and the summit's cease-fire resolution on Lebanon was based on an Egyptian proposal.

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[] Sadat nonetheless in effect recognized Syria's supremacy in Lebanon. His policies toward both Syria and Lebanon have until now been governed by a refusal to concede this Syrian pre-eminence.

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[] At Riyadh, Sadat pledged to end his arrangement with Iraq to transfer arms to the Lebanese leftists and Palestinians.

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[] The most important factor was Sadat's realization--somewhat belated--that only by cooperating with Syria could he expect to achieve progress in Middle East peace negotiations.

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[] He has undoubtedly hoped throughout the last year to bring about the cooperation with Syria on his own terms, but with a new US presidential term about to begin he may believe

there is little time for this. It would be difficult for Sadat to present convincing evidence that the Arabs are ready for peace negotiations--and thus press the US into action--unless the Lebanese and the Egyptian-Syrian problems are resolved.

CHINA: Situation Report

[] China's official news agency last night referred to the appointment of Hua Kuo-feng as Chairman of the Central Committee of the Communist Party and of the party's Military Affairs Commission. It noted the promotion indirectly in a description of a mass rally held in Peking yesterday. The news agency also referred for the first time explicitly to the antiparty clique of Wang Hung-wen, Chang Chun-chiao, Chiang Ching, and Yao Wen-yuan, saying Hua had smashed their conspiracy "with one stroke."

[] It is not clear why the Chinese chose this method of publicly confirming Hua's elevation. A major leadership meeting is apparently still under way in Peking.

[] There are signs that the purge of radicals earlier this month has virtually ended the protracted and contentious debate among China's leaders over foreign trade policy.

[] The debate had centered on the extent to which China would import foreign products and technology--the moderates arguing for gradually expanding foreign trade and the radicals for "self-reliance" and reduced imports.

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[] Earlier reporting had hinted that the dispute over foreign trade was in large part responsible for Peking's failure to draw up the five-year plan that was scheduled to begin in January of this year. The elimination of opposition to relatively liberal foreign trade policies clearly has encouraged top officials to take a more optimistic stand on prospects for agreement on a plan.

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[] Although the removal of uncertainty in the trade sector should expedite China's trade recovery, economic constraints that have limited trade growth since 1974 will continue to be a primary concern. Further improvement in the trade balance this year will permit an expansion of trade in 1977, but China's traditionally conservative financial policies will probably tie import growth to the pace of the country's exports.

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[] A signal that the Chinese may hope to move quickly, however, came on October 9 in an announcement of the opening of the autumn trade fair in Canton. Citing a statement made by Mao in 1949, the announcement said China hoped "to resume and expand international trade," and asserted that Chinese trade groups will "make wide contacts" with foreign businessmen, with a view to "increasing trade."

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[] These remarks are especially notable when compared with coverage of the previous two Canton fairs--in October 1975 and April of this year--which opened to relatively brief reviews in the Chinese media that emphasized internal developments rather than foreign trade. []

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SPAIN: Reform Bill

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[] The Spanish government is moving to protect its right flank as parliament begins consideration of constitutional reforms intended to set post-Franco Spain on a democratic course.

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[] The government has taken a tough stand toward the major socialist faction--the Socialist Workers Party--by announcing that it is withholding authorization for a party congress in early November until certain "defects" in the application to hold the meeting are corrected. Government and Socialist officials have been at loggerheads over the Socialists' refusal to signal their participation in the government's political reform program by applying for legalization prior to the congress.

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[] The government, however, seems to have settled for delaying the congress--rather than flatly prohibiting it--until after parliament has considered the reform bill, and reportedly has made a deal with the Socialists to this end. On Tuesday evening, Socialist leader Felipe Gonzalez announced that his party would accept the postponement.

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[] While trying to mollify the right, the government has made it clear that it will brook no significant opposition from parliament on constitutional reform. According to Second Deputy Prime Minister Osorio, the draft bill setting up a bicameral legislature must be approved virtually intact or the Cortes will be dissolved and a direct referendum will be held.

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[] Such a move would require the King to issue the appropriate decrees, thus linking the future of the monarchy to the success of the referendum. The questionable legality of decreeing a referendum without recourse to parliament could also weaken support from the military, which reportedly insists that adoption of the reforms follow the prescribed path through the institutions of the Franco era.

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[] The government still believes it can win the battle in parliament, but officials admit it will be close. According to one estimate, about 90 of the deputies strongly support liberalization, another 90 are die-hard opponents of any reform, and the remaining 300-odd are "floaters" who may be susceptible to pressure from the government.

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[] Government officials have been particularly concerned that the newly formed Popular Alliance led by former interior minister Fraga and assorted rightists could make strong inroads into the "floaters" vote and gut the program. The Alliance is a disparate and fragile grouping, however, and its members will have trouble mounting a concerted and effective attack.

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[] Part of the Cortes debates on the reform bill--which the government hopes will be over by mid-November--will be televised nationally, and few ambitious politicians are likely to risk appearing before the public as opponents of democratization. []

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ZAMBIA-RHODESIA: Nationalists Released

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[] Zambia released on Wednesday Zimbabwe African National Union defense chief Josiah Tongogara and three other ZANU officials who were on trial in Lusaka for the murder of a rival last year.

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[] Tongogara has wide influence among ZANU guerrillas and thus could play a major role in the Rhodesian settlement discussions in Geneva. Zambia had released four other ZANU officials not directly implicated in the murder case last weekend.

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[redacted]//Tongogara is expected to participate in a ZANU congress that begins in Lusaka today. Mugabe apparently will be elevated to ZANU's presidency, but Tongogara could become a serious rival for power within the faction now that he is free.//

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LIBYA: Labor Problems

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[redacted] Libya's decision to extend the military draft to oil-field workers and certain foreign nationals employed there undoubtedly will disrupt the economy if it is enforced.

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[redacted] Earlier this year, the government ordered all companies to advise their Libyan workers under the age of 35 to register for military service. [redacted] the government has called up a number of these employees. Esso has complained to the government that the call-up will force a cutback in operations. Other companies reportedly have the same problem.

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[redacted] The oil sector--the country's sole source of foreign earnings--has the largest reservoir of skilled and semi-skilled Libyan workers. If a large number are ordered to military service, the government will have trouble meeting plans to boost oil output, which it is counting on to help finance its ambitious new development plan.

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OPEC: Price Increase

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[redacted]//Government officials from member states of the Organization of Petroleum Exporting Countries are now talking more openly about the price rise expected on January 1. They are suggesting that the increase will probably be greater than 10 percent.//

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[] //Fearful that the OPEC countries will prohibit excessive liftings immediately preceding the price hike, oil companies are lifting larger volumes now. The resulting abnormal market conditions are tending to strengthen the conviction of many in OPEC that a large price hike is warranted.//

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[] //This is in accord with earlier statements by United Arab Emirates Oil Minister Udayba; Saudi Arabia and the UAE are regarded as leading price moderates within OPEC. The Venezuelan finance minister said last week that the price rise would be no less than 15 percent, based on a consensus of the 13 OPEC members.//

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[] //This may, in part, be a psychological game that the OPEC states are playing with the industrialized countries to prepare them for the increase, to make them feel relieved when the rise is not larger, and possibly to extract some political and economic concessions along the way.//

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[] //The speculative surge in demand for OPEC crude in the past several weeks is unquestionable. Most OPEC states are producing exceptionally large volumes--Iran is at near record levels, and Saudi Arabia, Kuwait, the UAE, and Venezuela are at or close to government-set production ceilings.//

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[] //Companies seeking to increase liftings or conclude new purchase agreements in the fourth quarter of this year are often being rejected. Crude and product prices in major international spot markets have strengthened, while volumes available for spot sale are drying up.//

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[] //The petroleum industry must pay several costs in order to lift crude oil before the price hike:

--Monthly interest costs for financing crude oil are estimated at about 8 cents per barrel. OPEC states have recently shortened payment terms because of the tight crude market, posing potential financing problems for some companies not immediately planning to process the crude.

--Monthly storage costs are also about 8 cents per barrel. These are likely to increase as tankage facilities become tight.

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--Surges in crude liftings tend to raise spot tanker rates, which add to per-barrel costs.//

25X1 [] //Based on these factors, each barrel lifted this month for speculative reasons will cost an additional 50 cents, and other factors will further reduce the per-barrel savings.//

25X1 [] //Some OPEC countries that offer price discounts to former concessionaires may not extend these terms for sales above a given volume. For example, additional liftings by British Petroleum in Kuwait will cost the company 15 cents per barrel more than those under its long-term arrangement.

25X1 [] //Higher spot prices, which directly affect only a small portion of crude oil and products traded, raise producing governments' calculations of crude oil values and encourage them to raise prices by adjusting crude differentials.//

25X1 [] //On balance, the cost of speculative buying will be considerable, but the practice will still be profitable if the oil price hike is 10 percent or more. []

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USSR-MONGOLIA: Visit

25X1 [] At a dinner in honor of visiting Mongolian party boss Tsedenbal on Monday, General Secretary Brezhnev said that the two leaders were giving special attention to Asian problems. He also expressed Moscow's willingness to engage in a "constructive dialogue" with anyone willing to work to resolve these problems.

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[] Brezhnev's language was similar to that he has used when discussing his Asian collective security idea, but in this instance we think he was seeking to set the stage for--or perhaps to reinforce--possible private Soviet messages to China's new leaders on the need for some sort of high-level meeting. Brezhnev emphasized that Moscow was prepared to improve relations with other Asians step by step and to respect the equality and sovereignty of other states.

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[] Tsedenbal usually visits the USSR three or four times a year. This latest occasion was billed as an official party-government visit, and presumably was in return for Brezhnev's trip to Ulan Bator in 1974.

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[] For the Soviets, the most significant accomplishment of Tsedenbal's trip probably was the conclusion of a new border treaty. The earlier one had been signed in 1727. It did not take into account the Soviets' annexation in 1944 of a large area of northwestern Mongolia that broke away from Mongolia at the end of the Manchu Dynasty early this century.

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[] We do not know precisely what lay behind Moscow's decision to update the treaty at this time. The Soviets may have been prompted by the periodic need to redemarcate the border, most of which lies in rugged, sparsely populated terrain. The Soviets could also, however, have been trying to signal the Chinese that Moscow can be reasonable in border negotiations.

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[] For the Mongolians, the principal accomplishment of the trip probably was the signing of new aid agreements detailing Moscow's contribution to Mongolia's development over the course of the next five-year plan. According to the Mongolians, Moscow's contribution will be double that provided under the previous plan and will involve construction of some 250 new enterprises. []

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USSR: Navigation Satellite Purchases

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[] //The Soviets are buying dual-channel navigation satellite receiver systems from the US that could be used to improve the accuracy of future long-range submarine-launched ballistic missiles.

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[REDACTED] //Soviet survey ships known to be using the receiver systems can determine their positions at sea more precisely and therefore can collect more accurate gravity and ocean-depth data. The data could reduce errors in Soviet submarine navigation and in missile alignment and trajectory.//

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[REDACTED] //At present, such data would result in only minor improvements to the low-quality Soviet navigation and missile systems, but would become more important if these systems are significantly improved.//

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[REDACTED] //The Soviets could also use the US receivers to evaluate their own navigation satellite system and to improve other navigational calculations.//

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[REDACTED] //DIA believes that the significance of the sale of US navigation satellite receivers to the Soviets has been exaggerated. If the Soviets did not receive such equipment from the US, several options would be available to them.//

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[REDACTED] //They could purchase comparable equipment from other western manufacturers, produce their own receivers using US sets as a model, or use their own navigation satellite system. Their satellite system is now assessed as being capable of sufficient accuracy to support their SLBM program. [REDACTED]

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EC: Irish Block Progress on Fisheries Policy

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[] //EC foreign ministers this week failed to agree to establish at the end of the year a 200-nautical-mile zone for Community fishing or to approve related guidelines for negotiating fishing agreements with third countries.//

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[] //An accord was impossible because of Irish insistence that the EC Nine simultaneously agree on the major elements of an overall internal EC fisheries policy. Strong pressures will be brought to bear on the Irish to break the deadlock when the foreign ministers meet in special session at The Hague on October 29 and 30.//

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[] //The Irish are holding out for a zone of up to 50 nautical miles for exclusive individual-country jurisdiction, as opposed to the 12-nautical-mile zone proposed by the Commission. Ireland also seeks EC financing for enforcement measures and modification of the proposed quota system, which would allocate the fish catch among EC members, to take into account the anticipated expansion of Ireland's fishing industry.//

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[] //The UK has been an equally strong advocate of a 50-nautical-mile zone but doubts the EC will resolve the internal fisheries problem before the end of the year. The British place a higher priority on declaring a 200-nautical-mile zone for the Community and on initiating negotiations with third countries; London wants internal fisheries issues to be negotiated separately.//

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[] //With the exception of Ireland, all EC members--led by West Germany, which catches two thirds of its fish outside Community waters--fear that, unless negotiations start soon, they will be prevented from fishing in Norwegian, US, and Canadian waters when those nations declare 200-nautical-mile zones early next year.

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[] //A resolution of the issue is particularly important to the UK, which is worried that a new "cod war" could break out if the Community is unable to reach agreement with Iceland before the current UK-Iceland accord expires on November 30. []

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FRANCE: Indian Ocean Fleet

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[] //The French have added a support ship to their fleet in the Indian Ocean--another indication of France's determination to maintain its sizable naval presence in the area.//

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[] //US defense attaches in Paris report that the maintenance and repair ship Jules Verne, previously assigned to the Atlantic, has been sent to Djibouti in the French Territory of the Afars and Issas. Djibouti is France's only remaining major naval base on the Indian Ocean.//

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[] //France may be asked to leave the base in Djibouti after the FTAI achieves its independence next year. If so, the Jules Verne and the remainder of the Djibouti detachment will probably relocate to La Reunion or Mayotte--French island possessions in the South Indian Ocean.//

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[] //The addition of the support ship will improve the fleet's ability to operate independently of the extensive shore facilities at Djibouti. It will be able to perform at sea most routine maintenance and repair tasks needed by French surface ships in the area, but major overhauls or repairs will still have to be made at French bases or at ports with support facilities.//

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[] //The French Indian Ocean Fleet, the largest Western fleet in the area, strengthens France's image as a world power able to influence events and protect French interests in both Africa and the Middle East. The fleet, normally consisting of about 15 ships, also helps to protect key oil transport routes to the West and maintain surveillance of Soviet naval activity in the region. []

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THAILAND: Splits in New Council

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[] //Thailand's National Administrative Reform Council increasingly shows signs of losing its cohesiveness, largely because of maneuvering by General Yot, the deputy army commander and recent commander of the First Army. Admiral Sa-ngat, chairman of the council, clearly fears he is losing control.//

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[redacted] Sa-ngat's decision to put together a civilian administration rapidly was intended largely to frustrate Yot. A cabinet made up largely of civilian technocrats has been appointed. The new civilian foreign minister, Upadit Pachariyang-kun--currently ambassador to the US--apparently was chosen with an eye toward fostering better relations with Washington.

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[redacted] Prime Minister Thanin has dealt thoroughly with his twin obsessions--communism and corruption--in his first speeches to the nation, and the ruling military council has already begun arresting leftist activists. The left's potential for making trouble is fairly limited, but if the round-up is carried to excessive proportions, it could swing public opinion against the government.

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[redacted] Under a new government decree, the authorities are arresting individuals known to have supported leftist and communist causes, purging bookstores and educational facilities of "subversive" publications, and closing down some newspapers and magazines, including some important ones. [redacted]

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[redacted] while known abuses have been few, the opportunity exists for settling private scores.

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[redacted] Thus far, the purge seems to have fairly widespread public approval. Initial fears that substantial numbers of students and other urban activists would join the rural insurgency appear to have been exaggerated. Although a few students have reportedly gone to Laos for training, most of the students who had been politically active seem more interested in clearing their names and remaining in school than in opting for the rigors of the jungle. [redacted]

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CHILE: To Go It Alone

25X1 [] Chile has informed US officials that it will no longer seek new US aid. In a recent speech, President Pinochet said that Chile had rejected a US loan that he described as "linked to political conditions." Although Santiago claims to be rejecting new aid, it is, nonetheless, seeking a \$15-million loan, under PL 480 Title I, to bolster wheat supplies in view of another projected poor harvest.

25X1 [] The object of criticism for human rights abuses, Chile sees itself as increasingly isolated from its traditional allies outside South America. Last week, in its report to the UN General Assembly, the Ad Hoc Group on Human Rights Recommended that member nations restrict trade and aid with Chile after Santiago's refusal to admit the Group's on-site investigation team.

25X1 [] Encouraged by improved export earnings this year, Chilean economic managers apparently are now gambling that Chile's international financial obligations can be met without further debt rescheduling and with minimal reliance on foreign economic aid. This year, for the first time since 1971, Chile managed to forego debt renegotiations.

25X1 [] A 33-percent increase in overall export earnings and renewed foreign private loans have led to a dramatic improvement in Chile's foreign reserve position--gross reserves tripled to \$445 million during the first eight months of 1976. []

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